

Message Text

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ACTION TRSE-00

INFO OCT-01 ARA-11 ADP-00 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-09 NSAE-00 RSC-01 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 SAL-01 OMB-01 PA-03 PRS-01 USIA-12

RSR-01 /102 W

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R 151748 Z MAR 73

FM AMEMBASSY MONTEVIDEO

TO SECSTATE WASHDC 4010

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E. O. 11652: N/ A

TAGS: EFIN, UY

SUBJECT: URUGUAYAN FREE MARKET GOLD SALES

REF : A) MONTEVIDEO 829, 4/12/72

B) STATE 067232, 4/19/72

C) MONTEVIDEO 901, 4/20/72

1. MINISTER OF FINANCE MOISES COHEN ANNOUNCED MARCH 14 THAT GOU HAD SOLD ONE MILLION OUNCES OF GOLD ON THE FREE MARKET BETWEEN JUNE AND DECEMBER, 1972. HE SAID SALES, WHICH REPRESENTED ABOUT 20 PERCENT OF URUGUAYAN GOLD RESERVES, YIELDED \$68 MILLION. ANNOUNCEMENT CAME IN TELEVISED SPEECH IN WHICH COHEN GAVE LUCID THOUGH STATISTICS- LADEN SUMMARY OF CURRENT ECONOMIC SITUATION.

2. CHOEN ANNOUNCED THAT \$31 MILLION OF THE PROCEEDS HAD BEEN USED TO REPAY SHORT- TERM FOREIGN DEBT, WITH REMAINDER APPLIED TO COMMERCIAL ARREARS. (ACTUALLY, ADMINISTRATIVE PROBLEMS APPEAR TO HAVE DELAYED DIRECT APPLICATION OF FUNDS TO ARREARS, RESULTING IN ACCUMULATION OF \$50 MILLION IN FOREIGN EXCHANGE RESERVES.) IN ADDITION, THE ANNOUNCEMENT APPEARS TO REFLECT NO REPEAT NO CHANGE IN POLICY REGARDING THE COMMERCIAL DEBTS (CIRCULAR 2 60 ARREARS) FOR WHICH THE GOU HAS ANNOUNCED ITS LIMITED OFFICIAL USE

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INTENTION TO ISSUE BONDS.

3. COHEN ALSO ANNOUNCED THAT BAN ON CAPITAL GOODS IMPORTS WOULD SHORTLY BE LIFTED, AND THAT A LIBERALIZED IMPORT REGIME WOULD SOON BE PUT INTO EFFECT. HE ESTIMATED THAT URUGUAY COULD EXPORT \$350 MILLION DURING 1973, AND INDICATED THAT \$100 MILLION IN SHORT- TERM DEBTS WOULD BE RETIRED THIS YEAR.

4. PROPOSAL TO SELL GOLD HAD BEEN PREVIOUSLY DISCUSSED WITH EMBASSY (SEE REFTELS, BUT TRANSACTIONS THEMSELVES WERE DIS- GUISED AS LOAN FROM DUTCH BANK BACKED BY GOLD PLEDGE AT FREE- MARKET PRICE.

5. COMMENTS: THE GOLD SALES ARE INDICATIVE OF A REALISM ON THE PART OF THE BORDABERRY ADMINISTRATION THAT HAS OFTEN BEEN LACKING IN THE PAST. THOUGH THE SALES WERE NOT LARGE ENOUGH TO ELIMINATE ALL COMMERCIAL ARREARS, THE EXPORT PROSPECTS FOR 1973 ARE SO FAVORABLE THAT ARREARS CAN BE COMPLETELY ELIMINATED THROUGH REPAYMENT OR CONSOLIDATION DURING THE NEXT SEVERAL MONTHS.

6. REACTION BY ADMINISTRATION' S POLITICAL OPPONENTS HAS THUS FAR MAINLY INVOLVED BITTER CRITICISM OF FACT THAT SALE WAS KEPT SECRET IN FACE OF REPEATED CONGRESSIONAL REQUESTS FOR INFORMATION ON STATUS OF GOU GOLD HOLDINGS. OPPOSITON BLANCO SENATOR FERREIRA ALDUNATE CHARGED THAT ADMINISTRATION HAD DELIBERATELY FALSIFIED PUBLIC FINANCIAL RECORDS IN VIOLATION OF CONSTITUTION, WHILE " FRENTE AMPLIO" SENATOR TERRA (PDC) COMPLAINED THAT GOLD WAS SOLD TOO CHEAPLY.
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*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 15 MAR 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: hilburpw
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973MONTEV00792
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: n/a
Errors: n/a
Film Number: n/a
From: MONTEVIDEO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730330/aaaahxcl.tel
Line Count: 98
Locator: TEXT ON-LINE
Office: ACTION TRSE
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 73 MONTEVIDEO 829, 4/12/72, 73 STATE 067232, 4/19/72, 73 MONTEVIDEO 901, 4/20/72
Review Action: RELEASED, APPROVED
Review Authority: hilburpw
Review Comment: n/a
Review Content Flags:
Review Date: 23 JAN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <23-Jan-2002 by shawdg>; APPROVED <13 FEB 2002 by hilburpw>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> srp 971210
Subject: URUGUAYAN FREE MARKET GOLD SALES
TAGS: EFIN, UY
To: SECSTATE WASHDC
TRSE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005